

Message Text

LIMITED OFFICIAL USE

PAGE 01 CAIRO 06956 091329Z

51

ACTION AID-59

INFO OCT-01 NEA-14 ISO-00 IGA-02 COME-00 OPIC-12 XMB-07

SP-03 EB-11 NSC-07 RSC-01 CIEP-03 TRSE-00 SS-20

STR-08 OMB-01 CEA-02 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 PA-04 PRS-01 USIA-15 DRC-01 /196 W

----- 072441

R 091145Z SEP 74

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 8830

LIMITED OFFICIAL USE CAIRO 6956

E.O. 11652: NA

TAGS: ECRE EAID EG

SUBJECT: SUEZ CANAL: IBRD LOANS AND CANAL EXPANSION

REF: A. STATE 182362 B. STATE 195592 C. CAIRO 4896

1. IBRD VP BENJENCK AND SENIOR ECONOMIST ARMSTRONG CALLED ON AMBASSADOR SEPT 3 AT THEIR REQUEST FOR A DISCUSSION OF THE BANK'S PROGRAMS AND PLANS IN EGYPT (SEPTTEL), AND SUBSEQUENTLY CALLED EMBOFF TO REPORT ON DEVELOPMENT DISCUSSED BELOW. IT APPEARS THAT THERE IS A DEFINITE LINK BETWEEN THE PROPOSED \$50 MILLION IBRD LOAN TO THE SUEZ CANAL AUTHORITY (SCA)(REF A) AND THE DELAYS IN AWARDING A CONTRACT FOR THE DREDGING OF THE CANAL (REF B).

2. THE \$50 MILLION IS INTENDED FOR USE IN PURCHASING EQUIPMENT RELATED TO THE REOPENING OF THE CANAL. WHILE THERE IS NO QUESTION AS TO THE UNILITY AND VIABILITY OF THIS PHASE OF THE GOE'S PLANS, THE BANK IS CONCERNED OVER WHAT IT SEES AS DETERMINATION TO PUSH AHEAD ON THE FAR MORE QUESTIONABLE DEEPENING AND WIDENING SCHEMES WITHOUT CAREFUL AND DETAILED STUDY. SINCE THIS EFFORT COULD HAVE AN ADVERSE IMPACT ON THE ABILITY OF THE SCA TO SERVICE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CAIRO 06956 091329Z

ITS DEBTS, THE BANK HAS REFUSED TO MOVE AHEAD ON THE LOAN

UNLESS AND UNTIL IT HAS AN OPPORTUNITY TO STUDY THE DOCUMENTATION ON WHICH THE SCA HAS MADE ITS COST/BENEFIT CALCULATIONS.

AS A RESULT, THE SCA HAS RELUCTANTLY AGREED TO POSTPONE AWARDDING THE CONTRACT FOR THE DREDGING. IBRD REPS TOLD US THAT A SIX-WEEK DELAY HAD BEEN OBTAINED; THE SEPTEMBER 30 DATE MENTIONED REF B WOULD BE APPROXIMATELY THE SAME TIME-FRAME.

3. WE GATHER THAT THE RECENT MEETINGS WERE RATHER ANIMATED, WITH THE SCA SIDE RESENTFUL OF WHAT THEY CONSIDERED TO BE QUESTIONS AS TO THEIR COMPETENCE. THEIR ATTITUDE WAS REPORTED AS "WE KNOW WHAT WE'RE DOING". THE BANK, ON THE OTHER HAND, WAS CONCERNED OVER THE FACT THAT LITTLE IF ANY MEANINGFUL ATTENTION HAD BEEN PAID TO ALTERNATIVES AND, IN PARTICULAR, THE EFFECTS ON REVENUES THAT MAY RESULT FROM THE CONSTRUCTION OF A PIPELINE PARALLEL TO THE CANAL, A PROJECT THAT IT FEELS IS QUITE CLOSE TO IMPLEMENTATION. THE BANK ALSO SAYS THAT THE METHODOLOGY THE SCA HAS USED IN UPDATING THE 1967 AND 1971 STUDIES OF THE PROJECT IS HIGHLY SUSPECT.

4. IN REFTTEL C, THE EMBASSY REPORTED THAT THERE HAD BEEN AN EARLIER DISAGREEMENT BETWEEN THE BANK AND THE GOE ON THIS SUBJECT, RESULTING FROM THE INSISTENCE OF THE FORMER THAT FULL AND DETAILED STUDIES WERE NEEDED BEFORE ANYTHING COULD BE STARTED, AND THE UNWILLINGNESS OF THE LATTER TO SPEND THE TIME THAT WOULD BE REQUIRED. WHILE THE TWO SIDES STILL HAVE DIFFERING VIEWS, THE DECISION TO DELAY AWARDDING THE CONTRACTS INDICATES THAT THERE HAS BEEN SOME ACCOMMODATION.

EILTS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REHABILITATION, SUEZ CANAL, BANK LOANS, CONTRACTS, DREDGING
Control Number: n/a
Copy: SINGLE
Draft Date: 09 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CAIRO06956
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740250-0309
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740965/aaaacni.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AID
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 182362 B. STATE 195592 C. C, AIRO 4896
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by cunninfx>; APPROVED <06 MAR 2003 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUEZ CANAL: IBRD LOANS AND CANAL EXPANSION
TAGS: ECRE, EAID, EG
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005